

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

CARL DELANO WOODARD
AKA: CARL WOODWARD
3065 West Ironwood Circle
Chandler, Arizona 85226,

) DOCKET NO. S-03364A-02-0000
)
)
) DECISION NO. 66353
)
)
)
) **ORDER TO CEASE AND DESIST, ORDER**
) **OF RESTITUTION, ORDER FOR**
) **ADMINISTRATIVE PENALTIES AND**
) **CONSENT TO SAME**
)
)
)

I.

1. CARL DELANO WOODARD (“WOODARD”) is an Arizona resident, whose last known address is 3065 West Ironwood Circle, Chandler, Arizona 85226.

2. In 1992 WOODARD's family, along with friends of the family, began an investment club in the form of a partnership, named Maliko Investments ("Maliko I"). Beginning in 1994, Maliko began investing in stocks. WOODARD conducted the trading in the stocks.

3. In August 1997, the Maliko II partnership was formed. It was also made up of family members, along with some friends. It also invested in stocks. WOODARD conducted the trading in the stocks.

4. WOODARD disclosed trades for Maliko I and II to investors, but did not adequately disclose the risk involved in the investments. A significant portion of the Partnership's portfolio was generally concentrated in a small number of investment positions at any one time, thus increasing the potential risk. WOODARD also purchased stocks on margin for Maliko I and II, in which he borrowed funds from the brokerage firm to purchase additional stock, utilizing Maliko I and II's holdings as security for the loan. Additionally, WOODARD had Maliko I and II sell stocks short, in which Maliko I and II sold stock that they did not own, expecting to purchase the stock later at a more favorable price. These methods of trading involve levels of risk that were not disclosed to investors.

5. Maliko I and II investors have invested at least \$718,015. Maliko I and II investors received \$172,062 in distributions. Additionally, WOODARD paid some investors \$120,000 in the settlement of a civil lawsuit. Thus, investors have lost \$335,113.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. RESPONDENT offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. RESPONDENT violated A.R.S. § 44-1991 by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and RESPONDENT'S consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT, and any of RESPONDENT'S agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENT shall pay restitution to investors shown on the records of the Commission in the amount of \$335,113, plus interest at the rate of 10% per annum from the date of each investment until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

If RESPONDENT does not comply with this order of restitution, any outstanding balance shall be in default and shall be immediately due and payable.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENT shall pay an administrative penalty in the amount of \$15,000. Payment shall be made in full by cashier's check or money order on the date of this Order, payable to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. The payment obligations for these administrative penalties shall be subordinate to any

1 restitution obligations ordered herein and shall become immediately due and payable only after
2 restitution payments have been paid in full, or if RESPONDENT has defaulted prior to fulfilling
3 RESPONDENT'S restitution obligations.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

6
7
8 /s/ Marc Spitzer Jim Irvin William Mundell

9 CHAIRMAN

COMMISSIONER

10 COMMISSIONER

11 Jeffrey Hatch-Miller Lowell Gleason

12 COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
14 Executive Secretary of the Arizona Corporation
15 Commission, have hereunto set my hand and caused the
16 official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this 1st day of
October, 2003.

17
18 /s/ Brian C. McNeil
19 BRIAN C. McNEIL
20 Executive Secretary

21 DISSENT

22
23 DISSENT

24 This document is available in alternative formats by contacting, Yvonne L. McFarlin Executive
25 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail.
ymcfarlin@cc.state.az.us.

(md)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT CARL DELANO WOODARD AKA: CARL WOODWARD
3 admits the jurisdiction of the Commission over the subject matter of this proceeding. WOODARD
4 acknowledges that he has been fully advised of his right to a hearing to present evidence and call
5 witnesses and WOODARD knowingly and voluntarily waives any and all rights to a hearing
6 before the Commission and all other rights otherwise available under Article 11 of the Securities
7 Act and Title 14 of the Arizona Administrative Code. WOODARD acknowledges that this Order
8 constitutes a valid final order of the Commission.

9 2. WOODARD knowingly and voluntarily waives any right under Article 12 of the
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
11 resulting from the entry of this Order.

12 3. WOODARD acknowledges and agrees that this Order is entered into freely and
13 voluntarily and that no promise was made or coercion used to induce such entry.

14 4. WOODARD acknowledges that he has been represented by counsel in this matter,
15 he has reviewed this Order with his counsel and understands all terms it contains.

16 5. WOODARD admits, only for purposes of this proceeding and any other
17 administrative proceeding before the Commission or any other agency of the state of Arizona, the
18 Findings of Fact and Conclusions of Law contained in this Order.

19 6. By consenting to the entry of this Order, WOODARD agrees not to take any action
20 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding
21 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without
22 factual basis. WOODARD will undertake steps necessary to assure that all of his agents and
23 employees understand and comply with this agreement.

24 7. While this Order settles this administrative matter between WOODARD and the
25 Commission, WOODARD understands that this Order does not preclude the Commission from
26

1 instituting other administrative proceedings based on violations that are not addressed by this
2 Order.

3 8. WOODARD understands that this Order does not preclude the Commission from
4 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
5 that may be related to the matters addressed by this Order.

6 9. WOODARD understands that this Order does not preclude any other agency or
7 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
8 proceedings that may be related to matters addressed by this Order.

9 10. WOODARD agrees that he will not apply to the state of Arizona for registration as
10 a securities dealer or salesman or for licensure as an investment adviser or investment adviser
11 representative at any time in the future.

12 11. WOODARD agrees that he will not exercise any control over any entity that offers
13 or sells securities or provides investment advisory services, within or from Arizona.

14 12. WOODARD agrees that until restitution and penalties are paid in full, WOODARD
15 will notify the Director of the Securities Division within 30 days of any change in home address or
16 any change in WOODARD's ability to pay amounts due under this Order.

17 13. WOODARD understands that default shall render him liable to the Commission for
18 its costs of collection and interest at the maximum legal rate.

19 14. WOODARD agrees that he will continue to cooperate with the Securities Division
20 including, but not limited to, providing complete and accurate testimony at any hearing in this
21 matter and cooperating with the state of Arizona in any related investigation or any other matters
22 arising from the activities described in this Order.

23 ..

24 ..

25 ..

1 15. WOODARD consents to the entry of this Order and agrees to be fully bound by its
2 terms and conditions. If WOODARD breaches any provision of this Order, the Commission may
3 vacate this Order and restore this case to its active docket.

4
5 /s/ Carl Woodard
6 CARL DELANO WOODARD

7 SUBSCRIBED AND SWORN TO BEFORE me this 4th day of September, 2003.

8 /s/ G. R. Clapper
9 NOTARY PUBLIC

10 My Commission Expires:

11 January 20, 2007